THE EFFECT OF FINANCIAL CONDITION, THE FAILURE OF DEBT RATIO, FIRM SIZE AND PUBLIC ACCOUNTING REPUTATION ON ACCEPTANCE OF GOING CONCERN OPINION

Hendro Lukman&Stevanus Adree Cipto Setiawan[1]

ABSTRACT

The importance of audit reports relating to going concern is to provide early warning for shareholders and other users of financial statements to avoid errors in decision making. The purpose of this study was to analyze the effect of financial conditions, such as failure of debt, firm size and reputation of the public accounting firm of the admission going concern opinions

The population of this study is a manufacturing company which listed on the Indonesia Stock Exchange (BEI) from 2007 to 2011. The method of data analysis using regression analysis based on panel data

The variables of financial condition and debt default are based on the assumption that Going Concern Opinion (GCO) is given only when the company has experience in financial distress. The size of the company, then, is used as variable due to the reason that the bigger the company, the easier it is to overcome the financial distress as it has stronger board of management. Therefore, the possibility to accept GCO less compare to the smaller company. Public Accouning Firms keep their reputation by giving opinion according to the auditing result even when they have financial distress.

The results showed that the financial condition of all significant variables, all three have variables are significance that the level are less than 5%. Financial ratios reflect the company's ability to complete its obligations so that all three ratios may affect the likelihood of receiving GCO. While the other variables, including the failure of debt, company size and reputation of a public accounting firm, they were not significant becausethey have a greater significance level of 5%. This indicates that the auditor only concerned with financial factors will make a decision at the time of going concern opinion

Keywords : Going Concern Opinion, firm size, reputation of accountant public, financial condition

[1] Lecturers in the faculty of economics Tarumanagara university Tarumanagara

I. INTRODUCTION

The importance of audit reports relating to going concern is to provide early warning for shareholders and other users of financial statements to avoid errors in decision-making (Mutchler, 1997). Going concern opinion is received by the company shows the conditions and events that cast doubt on the viability of the company auditor shall, either due to financial or non-financial conditions. Therefore, management will try to avoid receiving going concern opinions, which consists of unqualified with explanatory paragraph or wording, qualified, disclaimer and adverse opinions (Mutchler, 1997; Ramadhany, 2004; Rahayu, 2006). Furthermore, management is trying to get the opinions of unqualified (clean opinion) by doing various strategic plans and actions to reduce the likelihood of receiving going concern opinions or referred to as a mitigating factor in receiving going concern opinions.

Mitigating factors indicate good news condition for companies in crisis condition to reduce the uncertainty of going concern opinions (Mutchler et al., 1997). Companies which receive going concern opinions can lead to declining stock prices (Jones, 1996) which means it can degrade performance due to the manager because the market price can be used as one means of measuring the performance of fund managers. In addition, acceptance of going concern opinions can affect the difficulty of the company to get a loan and accelerate the company's bankruptcy or self-fulfilling prophecy (Mutchler, 1997).

Company which received opinion going concern can lead difficulties to get loan (Firth, 1990), accelerating bankruptcy or self fulfilling prophecy effect (Mutchler, 1997) and can cause a decline in stock prices (Jones, 1996). Companies which have experiencing financial distress have a greater likelihood to receive going concern opinions (Mutchler, 1997). But of 275 manufacturing companies experiencing financial difficulties only 41.45% receiving going concern opinions and the remaining 58.55% received unqualified opinions (clean opinion). These conditions reflect the auditor to consider the good news that can reduce the likelihood of receiving going concern opinions.

Financial ratios to reflect the financial condition of much use in predicting bankruptcy (Raghunandan and Subramanyam, 2003) and used as a basis for decision making of going concern opinions (Mutchler et al., 1997; Behn et al, 2001; Geiger and Raghunandan, 2002 ; Kevin et al., 2006).

Financial ratios which may include: (1) liquidity ratio as measured by current assets divided by current liabilities or Current Assets to Current Liabilities (CACL), provides an overview of the company's ability to meet the obligations of a company that has matured. Low liquidity ratio indicates that the company is inabble to pay the bills are due, especially if driven by conditions that cause low cash collection and if the amount of material it can affect the survival of the company. (2) Long Term Debt to Total Assets (LTDTA), reflects the company's ability to meet its long-term obligations. Long-term creditors are very concerned with the company's ability to meet its short-term obligations that pay interest or obligations in the long term, ie paying principal. Long-term creditors generally face greater risk than short-term creditors prefer a small LTDTA ratio because the smaller the ratio, the greater the amount of assets financed by the owner of the company and the greater the risk of creditor support. (3) Net profit margin as indicated by the magnitude of the ratio of net income before tax divided by net sales or Net Income Before Tax to Total Sales (NIBTS), is one of the profitability ratios are used to measure the efficiency of both the entire production, administration, marketing, financing, pricing and tax management. This ratio is a profitability ratio of the most important in determining the type of audit report (LaSalle and Anandarajan, 1996) because the net profit margin is an important variable in the measurement of operating performance to reflect the company's ability to generate revenue in order to maintain business continuity

Failure variable (debt default) indicates companies experiencing in financial difficulties must be considered when making a decision auditor going concern opinions (PSA 30, SPAP, 2001). Therefore management as an agent of the shareholders seeks to avoid this condition by performing a variety of efforts such as the issuance of new debt or stock in term of restructure debt. It has been proved by Chen and Church (1992) and Behn et al (2001) that the default status is a significant variable in explaining the decision of going concern opinions, regarded as information in the reception contrary opinions of going concern. Debt default or debt default is a condition that reflects the financial difficulties both short and long term, while simultaneously testing the financial condition has been represented by the liquidity, solvency and profitability of the investigators will test the influence of possible debt default variable receiving going concern opinions.

Besides financial variables, the size of the company considered as variables that control relationship management strategy with going concern opinions. Large enterprises are more easily overcome financial problems and have a stronger line management to develop strategies to cope with adverse conditions that may interfere with the continuation of the company's business (Kevin et al., 2006). Auditors consider the scale of the company being audited at the time of determining the audit opinion because of the assumption that large companies more easily overcome the financial difficulties than small firms (Bell and Tabor, 1991; Mc Keown et al., 1991; Mutchler et al., 1997). Similarly, given the risk of going concern opinions for large companies because of the lower incidence of self-fulfilling prophecy effect (Mutchler, 1997; Hopwood et al., 1991). Instead research Anandarajan et al. (2001) proved that a larger company size will be more likely to get a subjective qualification because the size of the company related to public concern and potential legal liabilities.

Research in Indonesia by Ramadhany (2004) proved that size does not affect the company's going concern opinions (significance level 0.135), and this is because Ramadhany (2004) conducted a study in just one year of observation. According to inconsistent results, persue researchers to examine whether firm size affects the relationship between management strategy with going concern opinions for corporate financial distress. Based on these reasons, the auditor would delay provide going concern opinion on such a large scale corporate as results of Mc Keown et al. (1991) and Mutchler et al. (1997) to prove the existence of a significant negative effect. These results are not consistent with LaSalle and Anandarajan (1996) and Anandarajan et al. (2001) who proved that large companies more likely to receive qualified opinions as they relate to public attention and potential legal liabilities. On the other hand, the principal of a large company would require the agent to perform better in order to maintain the continuity of the company because the companies have the responsibility of internal and external higher.

Public accounting firm's reputation as a representation of the owners will conduct a quality audit process, including deliberations on the management strategies undertaken. Auditors are expected to minimize the information asymmetry between shareholders and managers so that they can be pressed the confict of interest. In addition, the reasons of users of financial statements would have more confidence in financial statements audited by a qualified auditor. The auditor is responsible for evaluating the condition of the company, internal and external issues and management plans are carried out. The evaluation result is strongly influenced by the public accounting firm's reputation, therefore to maintain its reputation auditor should perform audit procedures of quality. Audit quality is often proxied by the size of the public accounting firm (Geiger and Raghunandan, 2002; Gaeremyck and Willekens, 2003; McLennan and Park, 2004), so that a large public accounting firm is competent and independent to report a problem going concern

In connection with the auditor's reputation, management should understanding to understand the public accounting firm’s reputation who is expected to carry out a quality of audit process. This is necessary, it because the users of financial statements more confidence in the financial statements of opinions given by qualified auditors. The most commonly used proxy for audit quality is the scale indicates the auditor (Geiger and Raghunandan, 2002; McLennan and Park, 2004), in Indonesia the scale indicated by the public accounting firm which affiliated or not affiliated with international public accounting firm

Ramadhany (2004), provides evidence that the scale does not affect the determination of auditor going concern opinions, these results contradict with Rahayu (2006) who provide empirical evidence that a significant scale in the reception auditor going concern opinions although the regression coefficients are negative. Furthermore, Geiger and Raghunandan (2002) showed that a large public accounting firm issued more opinions going concern than a small public accounting firm. While Behn et al. (2001) which uses a scale of the Big Five public accounting firms are more conservative, and there is a significant difference in an opinion going concern and non-going concern. For companies that had experiencing in financial distress problems, Geiger and Rama (2006) provide empiris evidence if financial hardship is clearly visible and the company will go bankrupt, Big Five auditors and non-Bix Five are competent and independent to report a problem going concern. However, when financial difficulties do not appear clearly, Big Five auditor prefers issued non-unqualified opinions.

Problem Identification

Are the ratio of liquidity, solvency, profitability, debt default, company size and reputation of public accounting firms that may affect of going concern opinions.

II. Research Framework and Hypothesis Testing

Financial condition

Auditor doubts of companies' ability to continue their business can be demonstrated by the failure of finance (financial distress) or financial condition worsened. In connection with the companies' ability to continue its business (going concern), research Altman and McGough (1978) provide evidence that firms experiencing in financial distress are more likely to have received from the auditor going concern opinions. Financial distress problems can arise due to lack of liquidity, lack of capital, lack ability to pay debts, continuously operating losses, the ability to operate alarming. Some of the ratios that can be used as a tool to detect the onset of the financial difficulties that can interfere with the operational activities of the company are used in this study is current assets divided by current liabilities (CACL), long-term debt divided by total assets (LTDTA), net income before tax divided by net sales (NIBTS).

Mutchler et al. (1997) Behn et.al (2001) Bruynseels and Willekens (2006) Chen and Church (1992, 1996) using the current ratio (CaCl) as one of the variables determining the likelihood of bankruptcy that the results showed that the probability of bankruptcy significantly affect subjective decisions going concern. Conditions in Indonesia described by Purba (2004) that the current ratio (CaCl) is the ratio of the most widely used by practitioners in making decisions audit opinion of going concern opinions. The results of the study Hadad, et al (2003) who examined 32 companies that are still and ever listed on the Jakarta Stock prove that of 26 financial ratios, liquidity ratios play an important role in differentiating the company insolvent and bankrupt.

The ratio of long-term debt divided by total assets (LTDTA), describes the company's ability to meet long-term liabilities. Long-term creditors are very concerned with the company's ability to meet its short-term obligations that pay interest or obligations in the long term, ie paying principal. Long-term creditors generally face greater risk than short-term creditors. Therefore, long-term creditors prefer a small LTDTA ratio because this means the smaller the ratio the greater the amount of assets financed by the owner of the company and the greater the risk of creditor support. Mutchler (1997) Chen and Church (1992) Behn et al. (2001) using the ratio LTDTA as a ratio of subjective decision making going concern, the results prove that LTDTA can make predictions with high accuracy in determining the decision of going concern opinions and prove that one of the indications of financial difficulties (financial distress) is unablity of the company to pay long-term debt.

Furthermore, the ratio of net income before tax divided by net sales (NIBTS) called the net profit margin is one of the profitability ratios are used to measure the efficiency of entire production, administration, marketing, financing, pricing and tax management. This ratio is a profitability ratio of the most important in determining the type of audit report (LaSalle and Anandarajan, 1996) is consistent with the results from Mutchler (1984) that the measurement of the net sales is more important than the measurement of the total assets. The results Mutchler (1997), this ratio was significant for predicting subjective decision making of going concern, consistent with the results of Chen and Church (1992). While the results of the study Behn et al. (2001) proved that NIBTS significant in explaining the differences between firms that obtain going concern and companies that experience in financial distress but did not receive going concern opinions.

Hypothesis I: There is a financial condition effect on going concern opinions
Hypothesis Ia : There is a current ratio effect on going concern opinions
Hypothesis Ib: There solvency effect on going concern opinions
Hypothesis Ic: There is the influence of profitability on going concern opinions

Failure of debt (debt default)

Failure to repay debt or meet debt covenant is one indicator of companies experiencing in financial difficulties, therefore, the auditor should assess carefully the risks of difficulties refunds given by the creditor. There are several reasons why a company can not pay its debts or is inabble to meet debt agreements, among others, (1) the company had liquidity problems so the company does not have enough current assets to meet short-term obligations, it can be shown by the low current ratio, (2) use of debt to increase income owners or shareholders, as measured by total debt / total assets. The higher this ratio, the higher the assets financed with debt that shows the higher the risk for the lender and (3) the company is not able to generate annual operating profit can be considered as a source of funds for repayment of debt principal.

Liquidity problems that could cause the company can not meet its obligations or the inability of the company to generate a profit for the repayment of loan principal and interest is the reason for the auditor doubts the ability of the company to continue its business (PSA 30, 2001). Therefore, the failure of the debt / debt defaults arising either because the company was inabble to meet its obligations or the company is inabble to meet the loan agreement is one factor that can influence the decision by the auditor to going concern opinions (Chen and Church, 1992). Carcello and Neal (2000),, Behn et al. (2001), because the company failed debt or failure to meet debt agreements showing signs of financial difficulties which impact on the survival of the company that is one of the causes of receiving going concern opinions.

Hypothesis II: There is an effect of the failure of a debt to going concern opinions

Firm Size

Auditors often issue a going concern opinions for smaller companies (Mutchler, 1997), on the grounds that the company will be easier to cope with financial problems because they have a better line management so that the creditors would be able to trust to give credit to large companies, the condition is considered to postpone auditor going concern opinions. Similarly, Bell and Tabor (1991) proves the existence of a negative relationship between firm size and going concern opinions, it is because the auditor's attention to the impact of bankruptcy for large corporations that influence the decision of going concern opinions issued.
Giving opinions going concern may lead to collapse of the company / self-fulfilling prophecy effect (Mutchler, 1997) will delay the auditor to provide an opinion going concern or in other

words that the larger firms are less likely to receive a going-concern modified opinions. Mc.Keown et al. (1991) and Mutchler et al. (1997) examined the relationship between the size of companies with going concern opinions, proving that the two results of these studies reported a negative relationship between the size of the company with the possibility of bankruptcy that resulted when accepted going concern opinions. Although the results of research and Anandarajan La Salle (1996) and Anandarajan et al. (2001) proved that a larger company would be more qualified because the size of the company related to public concern and potential legal liabilities. Common measure to describe the size of the company is the log of total assets (LaSalle and Anandarajan, 1996; Anandarajan et.al, 2001; Kevin et al., 2006).

Hypothesis III: There is an effect of firm size on Going Concern Opinion

Reputation Public Accounting Firm

Various dimensions of audit quality is measured, studied and defined by the researchers include: the size of the public accounting firm, hereinafter called KAP (DeFond and Jimbalvo, 1994; Teoh and Wong, 1993), audit specialization (Craswell et al, 1995; Mayangsari, 2003). The studies identified the influence of reputation in the Public Accounting control the relationship between the management strategies undertaken by the company to the possibility of financial distress receiving going concern opinions.

Mutchler et al. (1997) find evidence that Big 6 auditors are more likely to issue a going concern opinions in companies experiencing financial distress than non-Big Five auditors. Furthermore, Geiger and Raghunandan (2002) proved that big KAP more subjective issue a going concern than KAP slightest changes in the litigation environment (Reform Act). This is because large-scale public accounting firm has more incentive to avoid criticism reputational damage than small KAP, besides big KAPs are large also tend to reveal problems that exist because they are more robust in the face of risk trial (DeAngelo, 1981). The argument above implies that large audit firms have more incentive to detect and report problems going concern clients.

On the other hand, a mistake in giving opinions that could be affecting the change auditors (Chow and Rice, 1992), increased costs due to litigation (Carcello and Palmrose, 1994; Palmrose, 1997; Francis and Krishnan, 1999). Accordingly, the Firm can provide going concern opinions in accordance with the results of the audit conducted without any worries facing litigation. Obligations relating to the auditor to evaluate management plans to cope with financial difficulties (PSA 30.2001) and evaluate management strategies to maintain business continuity (LaSalle and Anandarajan, 1996) the auditor's reputation is used as a variable that controls the relationship between the management strategies undertaken by the possibility of receiving going concern opinions.

Hypothesis IV: There is a public accounting firm's reputation effect on Going Concern Opinion

III. METHODS

Operationalization of Variables

Proposed research model consisting of the dependent variable is the auditor's opinions are classified as going concern opinions and the opinions of non going concern.

The independent variable used consists of financial condition include the ratio of current assets divided by current liabilities, long-term debt divided by the ratio of total assets, the ratio of net income before tax divided by total sales, debt default, firm size and auditor reputation. The definition of the concept, the operational definition and measurement of variables used in this study, is described as follows:

Table 1 Operationalization of Variables

Variabel	Measurement	Scale
Opini *Non Going Concern (ONGC) (Y)*	Code 0, if the company receives *Clean opinion*	Nominal
Likuiditas (X1)	Current ratio measured by current assets divided by current liabilities (CACL)	Rasio
Solvency (X2)	long term debt divided by total assets (LTDTA)	Rasio
Profitability (X3)	ROS is earnings before tax divided by total sales (NIBTS)	Rasio
Default (X4)	Code 1, in the event of failure of the debt and code 0 if not	Rasio
(SIZE) (X5)	logarithm of total assets ratio	Rasio
Firm's reputation accountant public (KAP) (X6)	Code 1, if the firm is audited by KAP affiliated and 0 otherwise	Nominal

Population and Sample

The population in this study is manufacturing firms which listed on the Indonesia Stock Exchange (BEI) from 2007 until 2011. This suggests that the research conducted combining cross section and time-series, also called pooling data or panel data. Data panel will provide more informative data, more varied, kolinieritas level between variables is lower (Ghozali, 2006)

Method of Data Analysis

The hypothesis in this study were tested using logistic regression (logistic regression) because the data in this study in the form of nominal data and the rate, the dependent variable is a dummy variable indicating the category and the independent variable is a combination of metric and non-metric. Ghozali (2006) argues that the assumption of multivariate normal distribution can not be fulfilled because the independent variables are a mixture of continuous variable (metric) and catagorical (non-metric).

Regression testing conducted to test how far all the independent variables included in the model have an influence on the dependent variable. Regression coefficients can be determined using the Wald Statistic compared to the Chi-Square table, while the value probalilitas (Sig) compared with the level of significance (α)

To determine the acceptance or rejection of the hypothesis is based on the significance level (α) of 5% with the following criteria:

1. Hypothesis is rejected / not proven when Wald count < Chi-Square table, and the value of Asymptotic significance > significance level (α). This means that the hypothesis is not proven.
2. Hypothesis is accepted / proven when Wald count> Chi-Square table, and the value of asymptotic significance <significant level (α)

The logistic regression model proposed in the research model:

$$\text{Ln}\frac{OGC}{1-OGC} = \beta 0 + \beta 1\text{CACL} + \beta 2\text{LTDTA} + \beta 3\ \text{NIBTS} + \beta 4D\text{EFAULT} + \beta 5\ \text{SIZE} + \beta 6\ K\text{AP}$$

IV. RESULT AND DISCUSSION

Tabel 2a Deskritif Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
CACL	275	.03	4.56	1.1228	.86330
LTDTA	275	.00	1.11	.2669	.25819
NIBTS	275	-1.63	.53	-.0779	.28680
SIZE	275	4.50	7.77	5.8309	.61518
Valid N	275				

Mean current ratio (CaCl) companies researched by 1.1228 with a minimum of .03 and a maximum of 4:56, it shows the company's liquidity on average less well. Due to short-term liabilities that must be resolved so that the structure requires liquid funds also affects the current assets. In addition, the liquidity of the companies studied had a high variation, it can be seen from the large standard deviation that describes the company's liquidity are very low but there is a very high

The average ratio of long-term debt divided by total assets of 0.2669 with a minimum of 0:00 and 1:11 with a maximum standard deviation of .25819. The ratio illustrates the company has a number of long-term debt is so small that the figures are depicted with a minimum ratio of 0.00. Instead, there is a company that has a ratio exceeds 1, it shows the company has negative equity or there are indications of substantial risk for long-term creditors. Therefore, management needs to develop a strategy to convert its long-term debt into equity or long term debt reclassified to short-term debt.

The average ratio of net profit margin on its sample of - .0779 with a minimum and a maximum of .53 -1.63 The average number of these ratios indicate a negative number, it meant that a lot of the businesses are still suffering a net loss before tax. The condition is due to the sample studied companies are companies that are experiencing financial distress.

Size of the sample firms have a mean of 5.8309 with a minimum of 4:50 and a maximum of 7.77, while the deviation of .61518. This figure shows the scale of the enterprise, the greater the size of the company less likely to get opinions going concern because there is the assumption that large companies can overcome the financial difficulties that occur. In addition, there is a sensitivity to the size of the company's auditor for a big company to get opinions going concern may result in self-fulfilling prophecy effect that bankruptcy after receiving going concern opinions that are at greater risk

Tabel 2b Deskritif Analysis

	FREQUENCY		PERCENT	
	Nilai 0(dummy)	Nilai 1(dummy)	Nilai 0(dummy)	Nilai 1(dummy)
Opini	161	114	58,5	41,5
Default	187	88	68,0	32,0
KAP	115	160	41,8	58,2

The table above describes the number of unqualified opinions or the opinions of non going concern (ONGC) of the samples studied a number of 161 or 58.5%, while the number of companies going concern opinions obtained or OGC number 114 or 41.5%. The data indicate that the company is experiencing in financial distress do not always receive going concern opinions, it indicates that the auditor's judgment in making a going concern opinions not only on financial factors but also non-financial factors that can reduce the likelihood of receiving going concern opinions or factors that aremitigation.

The company had a debt default by 88 companies or 32.0% of the companies analyzed. While the company had no debt default number of 187 companies or as much as 68.0% of the samples. Companies have failed debt an indication that the company is experiencing in financial difficulties that may lead to a significant number of auditor skepticism over the ability of the company to continue its efforts.

Total public accounting firm affiliated with a public accounting firm overseas are 160 or by 58.2% and not affiliated with a number 115 or by 41.8%. Auditor will maintain their reputation by performing the examination and audit decisions based on objective evidence despite the company being audited experiencing in financial distress.

Tabel 3 Result

	B	Wald	Sig	Exp(B)
CACL	-2,256	10,952	0,001	0,105
LTDTA	3,984	7,399	0,007	53,174
NIBTS	-4,555	6,657	0,01	0,011
DEFAULT	23,171	0	0,995	1,20E+10
SIZE	-0,616	0,83	0,362	0,54
KAP	-0,081	0,017	0,897	0,922
Constant	2,775	0,532	0,466	16,033
Cox&Snell R Square	0,644			
Nagelkerke R Square	0,868			
	Chi-square	Df	Sig	
Hosmer and Lemeshow Test	3.881	8	0.868	

a. **The current ratio (CaCl).**

The test results showed that the regression coefficient current ratio reflected the ratio between current assets divided by current liabilities have a significance level of .001 and the regression coefficient of - 2256. It can be explained that the current ratio affects the relationship between management strategies with the possibility of receiving going concern opinions to the negative direction, which means the higher the current ratio of going concern opinions they have less propability acceptance the opinions. The explanation is also supported by the value of Exp (B) or odds ratio for variable current ratio (CaCl) of .105 indicates that if other variables held constant then the odds the company will increase by .105 for every increase of CaCl. This means that any increase in the current ratio will influence the likelihood of receiving going concern opinions for .105 times.

Managers must consider the financial condition as reflected in the current ratio current ratio is an important ratio to be considered when auditor is making decisions of going concern opinions (Purba, 2006). The statement is consistent with Chen and Church (1992) proved that the current ratio significantly in explaining the decision going concern opinions. Empirical findings in this study are also supported by Mutchler (1997) which uses the current ratio as one of the variables that are used as a prediction of bankruptcy. Furthermore, bankruptcy prediction used in explaining subjective decisions going concern, the results show that the prediction of significant bankruptcies in explaining the decision of going concern opinions.

Consistent with researched by Behn et al. (2001) which proved that the current ratio as in explaining the decision going concern opinions in corporate in financial distress. Similarly, research conducted in Indonesia proved that the current ratio is one of 26 financial ratios that have an important role in distinguishing the bankrupt companies and non-bankrupt (Hadad et al, 2003).

b. **Solvency**

Company solvency condition as measured by the ratio between long-term debt divided by total assets shows the results of logistic regression showed the significance level of .007 LTDTA variables with regression coefficient of 3984. The empirical finding that the condition may affect the solvency of companies receiving going concern opinions because it has a significance level of less than 5% and is positive regression coefficient indicates that the higher the solvency ratio (LTDTA) acceptance probability greater going concern opinions. Value of Exp (B) or odds ratios for variable ratio of long-term debt divided by total assets in Table 4.9 shows that relatively large numbers 53,714, the figure shows that if the other variables held constant then the odds the company will increase by 53,714 for each increase LTDTA. This means that any increase in the ratio of long-term debt divided by total assets would affect the possibility of receiving going concern opinions for 53,714 times.

The findings of empirical financial variables that reflected the long-term debt divided by total assets (LTDTA) is consistent with the results of previous studies conducted by Chen and Church (1992), proved that the ratio of long-term debt divided by total assets (LTDTA) is a measure of the financial health of a company that can influence decisions going concern opinions. Similarly, Mutchler (1997) have used the ratio LTDTA as predicted probability of bankruptcy and the subsequent possibility of bankruptcy has significant explanatory ability in the direction predicted in explaining the decision of going concern opinions. Consistent with previous studies Behn et al. (2001) provide empirical evidence that the ratio LTDTA positively influence the decision of going concern opinions.

c. **Profitability**

Testing the regression coefficient on the variable ratio of net income before tax divided by total sales (NIBTS) has a value of Wald 6657 -4555 regression coefficient and significance level of .010. These results suggest that the conditions affect the likelihood of acceptance of the company's profitability going concern opinions for smaller significance level of 5%. Negative regression coefficient indicates the direction that gives the sense that the greater the net profit before tax revenues likely going concern opinions smaller. The description is supported by the value of Exp (B) or odds ratios for variable ratio of net income before tax divided by total sales of .011. The figure shows that if the other variables held constant then the chances are receiving going concern opinions only increased by .011 for every increase NIBTS.

Companies that operate normally will benefit will be used to maintain the continuity of the business enterprise. The amount of profit a company earned in comparison to sales ratio is one measure of profitability (Hanafi, 2003). This ratio is an important ratio in determining the type of audit report (LaSalle and Anandarajan, 1996) because this ratio can measure the efficiency of both the efficiency of the entire production, administration, marketing, financing, pricing and tax management.

Consistent with the results of the study Mutchler (1997) and Chen and Church (1992) that this ratio to predict significant subjective decisions going concern, which looked at measurements with net sales is more important than the measurement of the total net sales of assets as well as the efficiency can reflect the activity of an enterprise. Similarly Behn et al. (2001) proved that the ratio of net income before tax divided by total sales (NIBTS) is significant in explaining the differences between firms that experienced financial distress obtaining opinions going concern with companies experiencing in financial distress but did not receive going concern opinions. Other findings that showed a significant NIBTS negative predictive subjective decisions going concern.

d. **Debt Default**

Companies that have failed debt will have a greater likelihood of going-concern opinions in the reception, however, the empirical findings indicate the level of significance of .995 or variable DEFAULT showed the significance level is greater than 5% by Wald regression coefficients of .000 and 23 171. This meant that a failure condition does not affect the possibility of debt revenue going concern opinions.

The empirical findings did not support the research of Mutchler (1997), Chen and Church (1992), Carcello and Neal (2000) and Behn et al. (2001) the overall research results prove that the failure of the debt (debt default) is indicative of a problem going concern that can be used as predictors of receiving going concern opinions.

Rejection of the hypothesis can be explained due to the failure of the debt can be caused by (1) the company had liquidity problems so the company does not have enough current assets to meet short-term obligations, it can be shown by the low current ratio, (2) the company is not able to generate profits annual operation can be considered as the primary source of funds for debt repayment. With the failure of the debt for two reasons, the researchers found that more auditors to consider the conditions that cause the failure of the debt of the company's ability to fulfill aspects of short-term liabilities with respect to the current ratio (CaCl), the ability to meet long-term obligations with a view solvability as measured by the ratio of term debt length divided by total assets (LTDTA) and the ability to generate earnings as measured by the ratio of net income before tax divided by total sales (NIBTS). Empirical results demonstrate that these three financial ratios are significant in explaining the acceptance that the auditor going concern opinions over third consideration in considering the ratio of the decision of going concern opinions. Thus the failure of the debt of a company does not directly affect revenues because the auditor going concern opinions over a third consider the ratio them.

e. Company Size

The table above provides empirical evidence that company size does not affect the likelihood of receiving going concern opinions, this is indicated with a significance level of .362 or variable SIZE is greater than 5% despite the negative regression coefficient, which indicates that large companies are expected to cope with financial difficulties so as to reduce the likelihood of receiving going concern opinions. The description is supported by Exp (B) or odds ratio is equal to .540 which gives the sense that if other variables held constant then the chances are receiving going concern opinions will increase by .540 times for every increase in the size of the company.

This proves that the scales did not affect the possibility of receiving going concern opinions, although the regression coefficients are negative as expected direction that the larger the company the less likely scale receiving going concern opinions. Empirical findings do not support the results of research Kevin et al. (2006) to prove that the conditions with low litigation risk such as Hong Kong and countries in Southeast Asia in general, large-scale enterprises have a better ability to survive even when the company is experiencing financial distress. Therefore, the auditor will delay to issue qualified opinions in the hope the company will be able to cope with adverse conditions in the coming year.

The case companies in Indonesia indicate that the scale of the company is not affecting the going concern opinions received, the results are consistent with the findings of empirical research that has been conducted in Indonesia by Ramadhany (2004) which proved that size does not affect the company's revenues going concern opinions.

f. Reputation Public Accounting Firm

Logistic regression results for public accounting firm's reputation variables showed a significance level of .897 and the regression coefficient of - .081. The results of logistic regression gives the sense that public accounting firm's reputation does not affect the possibility of receiving going concern opinions because it has a significance greater than 5%. Similarly expected regression coefficient is positive because a reputable auditor will submit the results of the opinion that although the company's objective in financial distress condition. However, empirical findings can not explain it, because a reputable auditor with the public accounting firm indicated that affiliation would provide more objective opinions to maintain its independence and report what it is even though the company in financial distress condition so it does not affect the likelihood of receiving going concern opinions . Value of Exp (B) or odds ratio of .922 also support the above explanation.

The results of this study do not support the research that has been done by Mutchler et al. (1997) have proved that the Big-6 auditors are more likely to issue a going concern opinions in companies experiencing financial distress, these findings do not support the Geiger and Raghunandan (2002) proved that a large public accounting firm more than the going concern opinions issued accounting firm small public litigation even in a changing environment (Reform Act). Further, the large public accounting firms have more incentives to avoid criticism reputational damage than a small public accounting firm. So that, a large public accounting firm will disclose client issues including the issue of going concern. Similarly, DeAngelo (1981) proved that a large public accounting firm stronger litigation risk, so that a large public accounting firm will disclose the fact that there are no concerns facing litigation

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The results showed that all of the financial condition of significant variables, all three have a significance level of less than 5%. Financial ratios reflect the company's ability to complete its obligations so that all three can affect the likelihood ratios revenue going concern opinions. As for other variables, including the failure of debt, firm size and reputation of public accounting firms, three were not significant as it has greater significance level of 5%. This indicates that the auditor only concerned with financial factors at the time will make subjective decisions going concern.

Suggestion

The results of this study can be used as a reference for the management does not expect to make a going concern opinions oriented strategy on financial improvement, by taking care of the liquidity ratios, solvency and profitability due to better liquidity and profitability will reduce the likelihood of receiving going concern opinions.

Researchers should further examine the strategic approach and the form management plans have long-term impacts. Management plan may include: management plans for stock issuance, debt or attract debt restructuring, management plans to sell unproductive assets and reduce operating costs. On the other hand, the management strategy oriented strategic approaches being tested include strategic alliances and product development strategies and the development of market segments.

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